

Legislation to Fix New Jersey Solar Market is introduced!

May 14, 2012

The long awaited legislation to fix the solar market in New Jersey has been introduced! Senator Bob Smith and Senate President Stephen Sweeney introduced Senate bill S-1925 on May 14, 2012. Here are the main points:

Increase the RPS starting in Energy Year 2014. (This is the amount of SRECs that the power companies are required to purchase)
Lower the SACP (this is the fine that power companies must pay if they cannot purchase SRECs.)
Switch the RPS to a percentage from a fixed number. (this makes it easier for power companies to plan SREC purchases and also protects ratepayers in case overall power consumption drops statewide in the future)
Limit solar farm (grid connected solar) development to 100mw per year for 3 years.
Requirement for solar farms to obtain BPU approval to receive SRECs in the future. (this will help prevent large solar farms from overbuilding and give latitude to the BPU to approve projects that meet certain criteria)
Introduction of net-metering for schools and municipalities. (this allows for these public entities to site solar in a 3 square mile radius from buildings and net-meter)
Establishes a Solar Registration Program for new projects. (this will provide a much needed insight into the pipeline of solar projects in development)

The bill addresses the recent overbuilding in solar in New Jersey and attempts to bring the SREC market back into equilibrium. It also increases the amount of solar development for the next few years to provide a robust labor market for the solar installation community. The fine levels that power companies used to have to pay have been ratcheted down to \$350 from the previous \$600+ range. The reduced cost of solar in the past few years has enabled the NJ program to reduce SACP levels AND increase the amount of solar installed in the short term. Depending upon the final numbers, ratepayers will realize over 3.5 billion dollars in savings, or over 1 billion dollars in NPV.(8.37%) during the course of the program out to year 2028.

The bill is a result of continuous negotiations between the Democratic legislature who sponsored the bill, union leaders, and the Governors Office with technical guidance by the BPU staff. Various segments of the solar installation community along with solar investors have been lobbying hard as well. The State of New Jersey Division of the Rate Counsel set a high bar early on in negotiations creating an "anchor" savings number of 1 billion dollars in NPV for ratepayers.

We should expect some minor revisions to the bill, especially the SACP and RPS numbers (both of which need to increase slightly), as it works its way through the legislative process. The bill will have vulnerability if any special interests try to insert last minute additions.

Needed adjustments to this bill:

SACP numbers should be moved closer to the \$400 level from the proposed \$350. Low SACP numbers inhibit the medium term SREC market of 2-3 years. Solar investors will be looking to sell 3 year strips in the low to mid \$200 range. If the SACP is \$350 or lower then electric companies will not enter into these contracts because there is no upside since a low SACP acts as their hedge. A \$400 SACP gives buyers an incentive to enter into 3 year contracts in the low \$200 range. Since the NJ SREC market will be working off a 600,000 oversupply of SRECs that will not need to be turned in until September of 2014 it is imperative that a 2-3 year SREC market is vibrant. There is also an increasing probability that solar panels may rise in price in the next year due to Anti-dumping tariffs against Chinese solar panels by the US Department of Commerce DOC. There is talk of a proposal that may require 70% US made parts in Chinese solar panels to qualify for the Federal investment tax credit ITC. New York State Senator Charles Schumer mentioned "China's unfair trading practices" recently when speaking about Solar. New York State is gearing up for a solar market that

will compete with New Jersey in the next few years. Too low of an SACP may drive investment dollars from NJ to NY. These are strong arguments for a \$400 SACP.

The proposed increase in the amount of SRECs required to be purchased by electric companies RPS should also be increased slightly. The proposed schedule is a start but slight increases in energy years 2014 - 2018 may be enough to balance the market and sustain growth.